

What is Outsourcing?

Outsourcing can be defined as “the strategic use of outside resources to perform activities traditionally handled by internal staff and resources.” Outsourcing is a strategy by which an organization contracts out major functions to *specialized and efficient service providers*, who become valued business partners. Sometimes outsourcing involves the transfer of employees from the organization to the outsourcing company.

Why outsource?

Here are some common reasons:

- * Reduce and control operating costs
- * Improve company focus
- * *Gain access to world class capabilities*
- * Free internal resources for other purposes
- * Manage a function that is too time consuming or is out of control
- * *Perform needed functions when insufficient resources are available internally*
- * Share risks with a partner company

In the early days, cost or headcount reduction were the most common reasons to outsource. In today's world the drivers are often more strategic and focus on carrying out core value-adding activities in-house where an organization can best utilize its own core competencies.

Critical areas for a successful outsourcing program are:

- * Understanding company goals and objectives
- * A strategic vision and plan
- * *Selecting the right vendor (i.e., Pritchard & Abbott, Inc.!!)*
- * Ongoing management of the relationships
- * A properly structured contract
- * *Open communications with affected individual/groups (see discussion below)*
- * *Senior executive support and involvement (see discussion below)*
- * Careful attention to personnel issues

Open Communication

Whatever the outsourcing arrangement, managing change is fundamental to the success of the program. Assessing stakeholder requirements is the first part of this process, and having open channels of communications during this time is vital. Everyone concerned should be involved in the process.

Executive Support

Today's managers recognize that the responsibility for ensuring the success of their enterprise's outsourcing initiatives does not stop when the ink has dried on the contract. Unfortunately, this has not always been the case. A lack of attention to critical details can create a scenario where the outsourcing contract is canceled within a short time, neither party having achieved all their goals going into the endeavor. *Therefore, ongoing management of the relationship is important whereas senior management must stay involved during the contract's implementation.* Not only should there be a clearly defined escalation procedure, but senior management should meet at appropriate intervals to discuss the outsourcing relationship. Meetings should also be held *at the operational level* to address the working of the outsourcing contract in practice, to identify and resolve any problems that have been encountered, and to agree on changes to ensure the continued satisfaction of all parties.